Saskatchewan
Agriculture, Food
and Rural
Revitalization

COW WINTERING Arrangements

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Cow Wintering Arrangements

Foreword

This publication provides an overview of cow wintering arrangements. A variety of different types of arrangements may be arrived at to meet the needs of the parties involved. It is essential that both parties understand the implications and are comfortable with all aspects of the arrangement prior to entering into an agreement.

A cow wintering arrangement is a legal agreement. This publication describes cow wintering arrangements based on good business practices. The sample agreement provided in the publication is for illustration purposes only. The agreement should be kept as clear and concise as possible. **Legal and accounting advice should be obtained when dealing with specific situations or problems.**

For further information on cow wintering or cow-calf leasing arrangements, or additional copies of this publication, contact your Rural Service Centre or the Livestock Development Branch of Saskatchewan Agriculture, Food and Rural Revitalization (SAFRR)
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This publication and additional sources of information are available on Saskatchewan Agriculture, Food and Rural Revitalization Web site at www.agr.gov.sk.ca.

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Introduction

Livestock agreements are a useful management tool used by farmers to aid in production and expansion of their livestock operation. A producer, short of cattle, who has extra feed and facilities may offer to winter cows as a way to generate additional income. A cattle owner may own cows, but need additional feed and/or facilities. Together, they may be able to reach an agreement to meet these needs.

All agreements have some risk associated with them. It is important to have these agreements in writing and to understand the terms of the agreement and how they can affect the profit of a livestock enterprise.

A cow wintering agreement is a legal contract. The sample agreement provided in this publication is for illustration purposes only. The agreement should be kept as clear and concise as possible.

Points to Consider in a Cow Wintering Agreement

Before entering into an agreement it is important to consider the quality of management, the fairness of the income (cost) versus services provided and the adequacy of the terms that govern the arrangement. If either party is not satisfied with the agreement, then it is not likely going to work out satisfactorily and may end up costing one or both parties allot in terms of money and stress.

Before entering into an agreement, both the cattle owner and farm operator should work through the example agreement provided in this publication. Time spent preparing a written contract will help avoid misunderstandings during the life of the agreement. **Prior to entering into the agreement, both parties should review the agreement with their lawyer and/or accountant.**

Issues that will need to be discussed are:

Physical Management Issues

1. When will the cow herd be delivered to the operator?
2. Where will the cattle be kept?
3. Under what circumstances will the cattle be relocated?
4. How often will the cattle be checked?
5. When will the cow herd be returned to the owner?
6. Who will pay for transportation of the cow herd.
7. Who designs and implements the health and feeding program?
8. In what condition of fitness must the cows be maintained?
9. Which veterinarian will be used?
10. Who pays for antibiotics and veterinary services for the cow herd? For the calves?
11. When are the cows expected to start calving?

Financial Issues

12. Who picks out the culls and when will they be sold?
13. Will there be a charge for wear and tear on buildings?
14. Are specific machinery costs covered - tractor, grinder, truck, trailer?
15. Is this an incentive of the number of calves produced?

Legal Issues

16. How long will the agreement be in effect?
17. How will it be renewed and what provisions exist for ending the agreement?
18. How much advanced notice is required before the cattle can be removed from the operator?
19. How much advanced notice is required before the owner has to take possession of the cattle?
20. Will both parties be required to carry liability insurance?
21. Will there be a minimum and maximum number of head that must be maintained at all times?
22. How will death loss of cows and calves be handled and losses verified?
23. Are strays and stolen cattle handled the same as death loss?

Estimating the Costs

The agreement can be set up for a one-year term or a number of years with the payment being negotiated each year. Change in the amount could reflect the increasing or decreasing value of the feed and services provided by the operator.

The operator and owner need to carefully determine a cost for wintering the cows. The rate can be based on:

1. the current market rate;
2. the operator's cost; or
3. on the per cent of total cost.

Wintering Rate Based Current Market Value

The rate based on the current market value is established by checking with owners who are wintering cows and with operators who are providing the service. The owner and operator will come to an agreement on the rate by taking an average of the going rates or coming to an agreement on a specific rate.

Rates will vary with the type of services being provided and with the terms and conditions of the agreement. These will need to be taken into consideration when using the rates being charged by other producers as a guide.

This is the easiest method for establishing a wintering cow rate. However, the cost of wintering does vary from farm to farm and will often depend on the individual farm manager's current operation.

Wintering Rate Based On Operator's Cost.

In negotiating a wintering agreement, the operator will want to receive enough income to cover all the costs of taking care of the cows for the winter. The following is an estimate of the costs using data that was collected from 52 cow calf enterprises in 1999.

Yearly Variable Costs per Cow (excluding feed and labour)	
Vet and Medicine	$ 22.08
Farm Fuel	$ 14.02
Repairs – machinery	$ 15.07
Repairs – Corrals and Bldgs.	$ 8.03
Utilities & Misc.	$ 24.58
Custom work	$ 9.17
Operating Interest (at 6.75%)	$ 5.50
Total variable costs	$ 98.45

Yearly Fixed Costs per Cow

Depreciation		
Facilities		
market value	$230/cow	
salvage value	$ 0/cow	
useful life 20 years		
Cost per cow		$ 11.50
Machinery		
market valve	$216/cow	
salvage value	$ 21/cow	
useful life	10 years	
Cost per Cow		$ 19.44
Interest on Investment		
Facilities		$ 7.76
Machinery		$ 8.02
Total fixed costs		$ 46.72

The annual cost per cow (excluding feed and labour) is $145.17 or $0.40 per day. This includes all the operator's variable and fixed costs, except labour and feed costs.

Farmers, in the 1999 cost of production study, estimated their hours of labour as 4.46 hours per cow for winter feeding and 2.79 hours per cow for calving. These costs will vary with the type of feeding system, number of cows being fed and the type of feed being used. The farmers in the cost of production study estimated their winter feeding and calving labour cost at $71.49 per cow based on 157 days. Labour cost per day is ($71.49/157) 45.5 cents per day.

Feed costs are highly variable not only from year to year, but from farm to farm. The cattle owner and operator will need to establish a feed cost per day based on the feed rations.

The following table provides a format that could be used to calculate the cost for wintering a cow. Fall aftermath grazing could be added to the table.

Table 1: Feed Prices

Feed type	Value
Barley (bushel)	$ 3.90
Grass Hay (tonne)	$80.00
Alfalfa/Brome (tonne)	$77.00
Greenfeed (tonne)	$87.00
Straw (tonne)	$34.00
32% Beef Supplement (tonne)	$280.00
1:1 Mineral (25Kg.)	$18.00
Salt (25 kg.)	$ 7.50
VitADE (10kg.)	$17.00

Table 2: Winter Feed Ration

Ration	Mid Preg	Late Preg	Milk 20 lbs.
Grass Hay (lbs.)	24	24	25
Barley (bus.)	1.5	3	9
1:1 Mineral (oz.)	.5	1	1.5
Salt (oz.)	1.1	1.1	1.5
Vit ADE (oz/week)	1	1.3	1.4
Cost per Day	$ 1.02	$ 1.15	$ 1.69

A printout of an excel spreadsheet is in Appendix A. This spreadsheet provides six rations and calculates the cost with each. It also includes the fixed cost and labour cost section and calculates a per day cost for wintering cows. The spreadsheet is available from Rural Service Center offices or can be downloaded from the Saskatchewan Agriculture, Food and Rural Revitalization Web site at www.agr.gov.sk.ca under the category topics of livestock – beef.

The total of labour cost, feed cost plus fixed and variable cost will provide the operator with an amount that will be needed to cover costs. However, the operator may want to consider a margin to cover the risk associated with the wintering of cattle.

A long cold winter will add to the cost of feed as well as other costs such as fuel. The operator may also want to consider that some of his/her costs such as depreciation, interest on investment and labour are fixed and recovering some portion (less than the full amount) of these costs by feeding additional cows will increase the overall profit of his/her cattle enterprise.

Wintering Cow Agreement Based on Contribution Approach.

The cost of wintering a cow is based on the expected value or a percentage of the calf crop. Thus each party's share will vary with the weight and value of calves. Under this type of agreement, the operator and owner share both the production and market risk.

The owner and operator share the revenue based on the percentage of the costs that each party contributes.

Three things need to be determined to establish an equitable share arrangement. They are as follows:

1. Determine the cost categories that should be considered.
2. Determine the costs each party will be contributing.
3. Determine the percentage of the total costs each party has contributed.

The budget on page seven is provided to assist in determining each party's contribution. The figures were based on information from the 1999 cost of production study. Some of the figures were modified or rounded off. The prices and quantities used in the example are for illustration purposes only. The parties will need to work together to determine their own cost contributions.

When the calculations are complete, the owner and operator could set up an agreement for a set number of calves or a percentage of the calves. The agreement would need to specify the date that the calves would be delivered to the operator, how the calves would be selected and if the operator is responsible for any of the cost of raising the calves to weaning weight.

This type of agreement is more complex than a straight wintering agreement and best suited to situations where there will be a multi-year agreement.
The assumptions used in dividing the cost are as follows:

1. The owner supplies breeding herd, replacement stock and bulls, and is responsible for all costs except the cost of wintering the cows.

2. The owner pays for all vet and medicine costs.

3. The operator provides all feed, facilities and other general requirements for wintering the cows.

4. The operator is responsible for calving the cows.

5. The calves are sold in the fall before the cows are moved to the operator's facilities.

6. Cows are wintered for 180 days.

7. Each party is responsible for the cost of hauling and marketing their share of the calves.

Table 3: Example Worksheet to Determine the Percentage of Costs Contributed by Each Party[1]

	Owner	Operator	Total
Operating Costs			
Feed and Bedding		172.73	$172.73
Veterinary and Medicine	22.08		22.08
Breeding Fees	4.63		4.63
Property taxes, Insurance, etc.	6.86		6.86
Fuel, Lube, Repairs	7.02	7.00	14.02
Machinery Repairs	3.00	12.07	15.07
Custom Work & Manure Removal		9.17	9.17
Facilities and Fence	3.00	5.03	8.03
Pasture Costs	135.60		135.60
Utilities & Miscellaneous	6.00	18.58	24.58
Operating Interest	**1.30**	**1.68**	**2.98**
Total Operating Costs (A)	**$189.49**	**$226.26**	**$415.75**
Fixed Costs			
Cow Replacement	83.00		83.00
Cow Death Loss	24.00		24.00
Depreciation on Buildings		11.50	11.50
Depreciation on Equipment	4.00	15.44	19.44
Total Fixed Costs (B)	**$111.00**	**$ 26.94**	**$137.94**
Opportunity Costs			
Interest on Facilities		4.98	4.98
Interest on Equipment	2.50	8.30	10.80
Interest on Cow Herd	50.00		50.00
Interest on Bull	4.32		4.32
Labour	5.18	71.49	76.67
Total Opportunity Costs (C)	**$62.00**	**$84.77**	**$146.77**
Total Costs (A+B+C)	**$362.49**	**$337.97**	**$700.46**
Percentage Share	**51.75%**	**48.25%**	**100.00%**

1 Formulas for calculating depreciation and interest costs are provided in Appendix A of this publication.

The percentage of costs contributed could be used as a basis for determining the number of calves received as payment. For example, using the above contribution worksheet, the owner may decide that 51.72 per cent of the expected calf crop is a reasonable arrangement.

A description of the calves, including the size, type and gender of the calves to be taken as payment, should be specified in the agreement.

Table 4: Worksheet to Determine the Percentage of Costs Contributed by Each Party[1]			
	Owner	**Operator**	**Total**
Operating Costs			
Feed and Bedding			
Veterinary and Medicine			
Breeding Fees			
Property taxes, Insurance, etc.			
Fuel, Lube, Repairs			
Machinery Repairs			
Custom Work & Manure Removal			
Facilities and Fence			
Pasture Costs			
Utilities & Miscellaneous			
Operating Interest			
Total Operating Costs (A)			
Fixed Costs			
Cow Replacement			
Cow Death Loss			
Depreciation on Buildings			
Depreciation on Equipment			
Total Fixed Costs (B)			
Opportunity Costs			
Interest on Facilities			
Interest on Equipment			
Interest on Cow Herd			
Interest on Bull			
Labour			
Total Opportunity Costs (C)			
Total Costs (A+B+C)			
Percentage Share			

1 Formulas for calculating depreciation and interest costs are provided in Appendix A of this publication.

Sample Cow Wintering Agreement

This Agreement made in duplicate,

BETWEEN:

_____ of _____
(Owner's Name) (Address)
in the Province of Saskatchewan, ("the owner"),

- and -

_____ of _____
(Operator's Name) (Address)

in the Province of Saskatchewan, ("the operator").

THE PARTIES AGREE AS FOLLOWS:

1. Description of Cattle

   a) The owner owns and shall deliver _____ bred cows described in Schedule A, ("the animals") at the operator's farm on or before _____, 20___.

   b) The animals shall be certified to be pregnant (to calve by _____, 20___) by a professional veterinarian. The owner shall be responsible for costs relating to pregnancy testing.

   c) The animals shall be clearly marked with a brand or other marking agreed to by both parties.

2. Veterinary Services, Care and Management

   a) Animal health practices shall be carried out by the operator in accordance with currently accepted and recommended practices in the Province of Saskatchewan.

   b) The operator shall supply and pay for at his/her own cost, vitamins, minerals, medicines, drugs and services administered by a professional veterinarian to the animals and their offspring.

- or -

The owner shall pay for at his/her own cost, vitamins, minerals, medicines, drugs and services administered by a professional veterinarian to the animals and their offspring.

- or -

The owner shall pay _____% and the operator shall pay _____% of the costs arising from vitamins, minerals, medicines, drugs and services administered by a professional veterinarian to the animals and their offspring.

- or -

_____

_____

_____

_____

3. Feed Rations

a) The operator shall supply (at his/her cost) feed, water, necessary shelter and all labour for supervision and care of the animals and their offspring.

- or -

The operator shall supply (at his/her cost, feed) water, necessary shelter and all labour for supervision and care of the animals and their offspring.

The feed will consist of:

_____ pounds of good quality hay per day

_____ pounds of silage per day

_____ pounds of straw per day

_____ pounds of good quality barley per day

_____ pounds of good quality oats per day

_____ pounds of good quality supplement per day

(The owner and operator may wish to set two or three rations as part of this agreement or may wish to leave it to the operator to feed the cattle in a manner that keeps the cattle in good condition.)

4. Death, Loss, Forced Sale and Insurance

a) The owner shall be responsible for the animals which die or are recommended to be sold by a professional veterinarian for a period of 30 days immediately following their delivery to the operator. Income from these sales is the owner's and he/she has the option to replace those animals by December 31st of that year.

b) The replacement cost of those cows that die or are sold due to sickness or injury shall be the responsibility of the owner. However, if the operator is negligent resulting in death or injury to the cows, then the operator will be responsible for the replacement cost of those animals.

c) The operator may, at his/her expense, carry fire and liability insurance on the owner's animals and would be entitled to all insurance proceeds.

5. Division of Income

a) Cash Lease

The operator agrees to pay the owner the sum of $_____ per bred cow delivered and described in Section 1 of this agreement on or before _____ of each year.

- or -

b) Percentage of Calves Approach

The operator shall be entitled to (____%) and the owner (____%) of the calves by _____ of each year. . *[Note: The parties would agree to insert a paragraph which would be used to describe the calves to be received by the owner, including the size, type and gender of the calves to be taken or how the owner's share of the calves will be chosen (i.e., alternating picks, chute run, etc.).]*

6. Performance Bonus

For each calf delivered to the owner over _____ calves, the operator will receive an additional payment of $_____ . *(Could be as a percent of the cow herd – for example - for each calf in excess of 95 per cent of the number of cows, the operator will receive $50 as a performance bonus.)*

7. Termination of This Agreement

a) This agreement expires on _____, 20___. The owner or the operator may terminate this agreement by providing written notice to the other on or before September 1st in any year. The written notice shall be effective as of October 1st in the year in which it was given.

c) Upon termination of this agreement, the operator shall deliver to the owner the animals or their replacements at a place as directed by the owner. The owner shall pay costs of transportation over 50 miles.

- or -

_____

_____

_____

_____

d) At the time of delivery the cattle shall be in good health. If the parties cannot agree concerning the health of a particular cow, the matter shall be determined by a veterinarian with the expenses shared equally by both parties. If a particular cow is not in good health, the operator shall replace the cow with one that is in good health.

8. Owner's Rights

a) The operator shall permit the owner to enter the land and premises to examine the animals at any time during normal business hours.

b) If during the term of the lease, any of the goods and chattels of the operator are seized by any creditors of the operator, or if the operator makes any assignment of chattels involved in the lease for benefit of creditors without first obtaining written consent from the owner, or if the operator becomes bankrupt, this lease shall, at the option of the owner, become forthwith forfeited and void and the year's share of the offspring shall become forthwith due.

9. Operator's Rights

If the operator fulfils the terms and conditions of this agreement, he shall and may peaceably possess and enjoy the cattle for the duration of the agreement without any interruption or disturbance from the owner or any person claiming through the owner except as noted in 8(a).

10. Provisions for Arbitration

Any disagreement which may arise between the contracting parties with respect to the rights and responsibilities as provided for by this agreement shall, when a mutually satisfactory settlement cannot otherwise be reached, be submitted to arbitration. The arbitration authority will be a single person mutually satisfactory to both parties.

11. Subsidies or Payments

Any subsidies or payments shall go to the party owning the animals on which the payment is made.

- or -

Any subsidy or payment shall go to the parties in accordance with the percentage share described in Section 6 of this agreement.

SIGNED AND DELIVERED on _____, 20_____

_____ _____

Witness Owner

_____ _____

Witness Operator

Schedule A

Number	Age	Kind	Sex	Brand or Marking

Feed Cost Calculator for "Winter Feeding Program For Beef Cattle"

(Only red cells can be changed)

Grass Hay(tonne)	$80.00	32% Beef Supp(tonne)	$280.00
Alfal/Brome Hay (tonne)	$77.00	1:1 Mineral (25kg.)	$18.00
Greenfeed (tonne)	$87.00	2:1 Mineral (25 kg.)	$12.00
Barley Silage (tonne)	$43.00	Limestone (25kg)	$5.00
Straw (tonne)	$34.00	TM Salt (25kg.)	$7.50
Barley (bu.)	$3.90	Vit ADE (10kg.)	$17.00

RATION #1	Mid Preg	Late Preg	Milk 20 lb.
Grass Hay(lb.)	24.0	24.0	25.0
Barley (lb.)	1.5	3.0	9.0
1:1 Mineral (oz.)	0.5	1.0	1.5
TM Salt (oz.)	1.1	1.1	1.5
Vit ADE (oz/wk.)	1.0	1.3	1.4
COST ($/Day)	$1.02	$1.15	$1.69

RATION #2	Mid Preg	Late Preg	Milk 20 lb.
Alfal/Brome Hay (lb.	25.0	27.0	30.0
Barley (lb.)	0.0	0.0	4.0
1:1 Mineral (oz.)	0.5	1.0	1.5
TM Salt (oz.)	1.1	1.1	1.5
Vit ADE (oz/wk.)	1.0	1.3	1.4
COST ($/Day)	$0.90	$0.98	$1.43

RATION #3	Mid Preg	Late Preg	Milk 20 lb.
Straw (lb.)	16.0	16.0	17.0
Barley (lb.)	11.0	9.0	15.0
32% Beef Supp(lb.)		1.0	1.5
Limestone (oz.)	1.6	0.0	0.0
TM Salt (oz..)	1.1	0.5	0.0
Vit ADE (oz./wk.)	1.0	0.7	0.0
COST ($/Day)	$1.17	$1.11	$1.67

RATION #4	Mid Preg	Late Preg	Milk 20 lb.
Grass Hay(lb.)	12.0	11.0	18.0
Straw (lb.)	12.0	11.0	6.0
Barley (lb.)	3.0	5.0	10.0
1:1 Mineral (oz.)	1.0	1.0	2.0
TM Salt (25oz.)	1.1	1.0	1.5
Vit ADE (oz/wk.)	1.0	1.3	1.4
COST ($/Day)	$0.90	$1.01	$1.62

RATION #5	Mid Preg	Late Preg	Milk 20 lb.
Greenfeed (lb.)	13.5	13	16.0
Straw (lb.)	13.5	13	11.0
Barley (lb..)	0.0	1.5	7.0
1:1 Mineral (oz.)	1.0	1	2.0
TM Salt (oz.)	1.1	1	1.5
Vit ADE (oz/wk..)	1.0	1.3	1.4
COST ($/Day)	$0.78	$0.87	$1.43

RATION #6	Mid Preg	Late Preg	Milk 20 lb.
Barley Silage (lb.)	35.0	40	45.0
Straw (lb.)	11.5	7	7.0
Barley (lb.)	0.0	2	7.0
2:1 Mineral (oz.)	1.0	1	2.0
TM Salt (ox.)	1.1	1.1	1.5
Vit ADE (oz/wk.)	1.0	1.3	1.4
COST ($/Day)	$0.89	$1.08	$1.60

INPUT # OF DAYS FOR EACH

	Mid Preg	Late Preg	Milk 20 lb.				
200D	80	59	61	OK	0	200	200
180D	80	59	41	OK	0	180	180
160D	80	59	21	OK	0	160	160

	Mid Preg	Late Preg	Milk 20 lb.
200D	0.400	0.295	0.305
180D	0.444	0.328	0.228
160D	0.500	0.369	0.131

Average(weighted) Feed Cost per Day

	200 DAYS	180 DAYS	160 DAYS
Ration 1	$1.26	$1.22	$1.16
Ration 2	$1.08	$1.05	$1.00
Ration 3	$1.30	$1.26	$1.21
Ration 4	$1.15	$1.10	$1.04
Ration 5	$1.01	$0.96	$0.84
Ration 6	$1.16	$1.12	$1.05

WINTER FEED COST SUMMARY

	160 days	180 day	200 Days
Cost of Feed per day	$0.84	$0.96	$1.01
Variable costs per day	$0.73	$0.73	$0.73
Fixed costs per day	$0.13	$0.13	$0.13
Total Cost per Day	$1.70	$1.82	$1.87

AVERAGE 1999 BEEF WINTERING COSTS

BASED ON 52 HERDS -157 Days on Feed

			Total Annual Cost	Cost Per Day
Variable costs				
Without feed & bedding				
Vet and medicine			**$22.08**	$0.06
Fuel			**14.02**	$0.04
Repairs-machinery	Spreadsheet – Page 3		**15.07**	$0.04
Repairs-fence, corrals & bldgs.			**8.03**	$0.02
Utilities & Misc			**24.58**	$0.07
Custom work			**9.17**	$0.03
Labour				
Feeding	**4.46** Hrs. @	**$9.86**	43.98	$0.28
Calving	**2.79** Hrs. @	**$9.86**	$27.51	$0.18
Operating interest				
Int. rate	**6.75** %		5.55	0.02
Subtotal Variable			**$169.98**	**$0.73**
Fixed costs				
Depreciation				
Facilities FMV	**$230.00**			
salvage value	**0**			
useful life	**20** years			
			$11.50	$0.03
Machinery FMV	**$216.00**			
salvage value	**$21.60**			
useful life	**10** years			
			$19.44	$0.05
Interest on investment				
Facilities			$7.76	$0.02
Equipment			$8.02	$0.02
Subtotal Fixed			**$46.72**	**$0.13**
TOTAL			**$216.71**	**$0.86**
Cost per day without Feed & Bedding				**$0.86**

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